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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 66 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — July 24, 1953 DATE

REF : --

JUL 25 1953

34 For Dept. Use Only	ACTION: OLE	DEPT.
	REC'D 7/26	INFO: ARA I IES IFI IFS UNA
		OTHER: ARMY NAVY AIR OSD CIA

SUBJECT: Joint Weeka No. 30 for State, Army and Air Departments from S - Section I

FOR CHIEF, RECORDS OFFICE _____
FADEC FOI CASE NO. 710382

Following the brief interruption of electricity service last week of the American-owned Empresa Electrica, the company and the union carried on their dispute before the Labor Courts. As yet a settlement of the dispute is not in sight. The Court rejected the company's petition to have the strike declared illegal and the Government ordered its representative to examine the company's books to determine its financial position. By this means it may also gain access to information which at some later date could conceivably be used to exert pressure on the pretext of evasion of tax laws or other obligations.

On the domestic scene, Congress adopted a law exempting tenants paying less than Q50 a month from eviction proceedings for a period of three months, a development which the opposition branded as demagogic and ill-considered and which again focused attention on the deep cleavage between the regime and the properties elements.

The publication by the Cominform's Bucharest newspaper "For a Lasting Peace, For a People's Democracy" of an article by Jose Manuel FORTUNY, Secretary General of the Partido Guatemalteco del Trabajo (PGT), again exposed the international Communist links of the local party and indicated the international Communist movement's approval of the current PGT program and tactics.

In the field of foreign relations, the Foreign Ministry announced the appointment of Miguel Angel [illegible], well-known line poet and writer, as Ambassador to El Salvador. This appointment followed the announcement last week of the appointments of [illegible] anti-American Ambassadors to Mexico and Bolivia.

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Date of Action 7-28-53

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7/24/53

Action Office Symbol OLE

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Direction to DC/R

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F790004-1242

AMERICAN INTERESTS

Empresa Eléctrica Dispute: Following the appointment of a Government representative to assume limited and temporary control over the services of the U.S.-owned Empresa Eléctrica power and company's public services which had been interrupted for several hours by a strike on July 16 (Weeka No. 29), service returned to normal.

During the week the combination of forces against the company became increasingly apparent. The Government, acting through the Ministers of Economy, Finance and Communications as executors of the decree by which the Government assumed control, issued an order for an examination of the company's books, ostensibly for the purpose of determining whether it can afford a pay raise as requested by the workers' union. The examination will also provide an opportunity for the Government auditors to seek evidence on which the Government might at some future date put pressure on the company for alleged violation of tax laws, contractural obligations or other legal requirements.

The company, which continued in effective control of operations, petitioned the Labor Court to have the strike declared illegal on the grounds that the workers had failed during the strike to obey company orders to continue service to essential establishments as previously stipulated by the Court. The latter, however, absolved the workers, holding that the non-restoration of service had been due to technical reasons, and the strike thus appeared to remain legally in effect.

The union, for its part, petitioned the Court to have the company declared guilty of an illegal work stoppage because of failure to supply power to the essential establishments but the Court absolved the company of the charge. Meanwhile Carlos Manuel PELLECER, the Communist Secretary for Conflicts of the CGTG who is counselling the union, solicited a ruling by the Administrative Department of Labor as to whether the workers were entitled to double pay while the strike remains legally in effect. The effect of a favorable opinion, if sustained by the courts, would be to put strong pressure on the company to accede to union demands rather than continue a double payroll indefinitely.

The week's activities thus produced no immediate change but the introduction of Government tax auditors into the company and the Labor Court's decision upholding the legality of the strike marked a further unfolding of the concerted tactics of the Government and the union.

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DOMESTIC AFFAIRS

Congress Enacts Law Disturbing to Moderates: In a move viewed by conservatives and moderates as more evidence of "irresponsible demagogery" on the part of the Administration majority, Congress enacted a law suspending for three months all legal action to evict tenants paying $50 or less monthly rent. The independent press and opposition Deputies charged that the law was motivated by political considerations, that it was an unconstitutional deprivation of property and that it was certain to discourage construction.

This law, while apparently of little intrinsic importance, mirrored the prevailing political scene in sharp outline. Its enactment brought into focus the persistent and growing distrust of the Government on the part of moderates and the increasing tendency for its supporters to override constitutional limits and economic caution to obtain political advantage.

Communist Program Implicitly Endorsed by Cominform: In a development implying that the Soviet-controlled international Communist movement endorses the Guatemalan Communists' current program, the July 3rd issue of the Cominform's newspaper "For a Lasting Peace, For a People's Democracy" published in Bucharest carried a condensation of the report on party program made by José Manuel Fortuny, Secretary General of the Partido Guatemalteco del Trabajo, to the May plenary session of the party's Central Committee. The cardinal point of Fortuny's report was that the party should not moderate its program in face of foreign pressure and intervention but should proceed vigorously with the application of the Agrarian Reform Law, intensify the struggle against "foreign monopolies" and demand the suppression of "conspirators, terrorists and saboteurs" opposing the Arbenz regime. The publication of this program by the Cominform shows not only its approval but again publicly exposes the international ties of the local Communist Party.

FOREIGN AFFAIRS

Further Leftist Diplomatic Appointments: Carrying on the current reorganization of Guatemalan representation abroad, the Foreign Ministry announced the appointment of Miguel Angel Asturias, Counselor of Legation at Paris and leading local poet and writer, as Guatemalan Ambassador to El Salvador. Once a colleague of Sr. José Manuel Fortuny, Secretary General of the local Communist Party, on a radio news program, he was the first President of Guatemala's "National Peace Committee" in 1951 and has since shown Communist and anti-American leanings in his writings and associations.

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This appointment follows closely on the appointment of Roberto ALVARADO Fuentes, ex-President of Congress, as Ambassador to Mexico and of Eliseo MARTINEZ Zelada as Ambassador to Bolivia (Weeka No. 29) and the three appointments place Guatemalan "revolutionaries" who are at least Communist sympathizers in important Latin American posts where they may be expected to exert a mischeivous and anti-American influence in nationalist and leftist intellectual and political circles.

R E Schoenfeld

Rudolf E. Schoenfeld

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 67 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — July 24, 1953 DATE

REF : --

Action Assigned JUL 25 1953 to Vinciette

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34 For Dept. Use Only	CT E	INFO	REP ARA E I IBS IFI IPS TCA UNA [illegible]
	REC'D 7/26	OTHER	AF CAB COMC LAB TAR TR XMB ARMY NAVY AIR OSD CIA 7-27-53

Action Taken 2 Sept

SUBJECT: WEEKLY NO. 30 - ECONOMIC SECTION

Date of Action 1 AD

Action Office Symbol Vinciette

Name of Officer Vic

SECTION II

New legislation in the fields of rent control, highway construction and Government appropriations was enacted by the Guatemalan Congress this week. The eviction of certain classes of tenants delinquent in the payment of rent was suspended for three months; the expropriation of the right-of-way for highways and the establishment of tolls to finance road construction were authorized; and $1,200,000 was provided to finance the Government-sponsored October 1953 National Fair. The Arbenz Administration's industrialization program was vaguely outlined and the independent press criticized the Government for not asking industry to participate in the planning.

The Ministry of Agriculture announced that it would centralize all Government agricultural research activities in a new organization formed around the United States-Guatemala agricultural research station and that $100,000 had been budgeted for station operations for fiscal year 1953-4.

Economic Legislation

The press reported that three measures in the fields of rent control, highways and Government appropriations were passed by the Guatemalan Congress this week but they have not yet been promulgated.

In a heated session on July 21 Congress approved:

a law suspending for three months the eviction of tenants renting dwellings for $50 or less per month

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who are behind in their rent. This temporary measure was passed, pending a reform of the Rental Law, after the Executive issued a statement in May that the Government did not want an urban reform law similar to the Agrarian Reform Law, as proposed by a pro-Government deputy (WEEKA No. 22).

2. a law providing for a) the expropriation of the right-of-way for the improvement and construction of highways, b) the establishment of tolls to finance new construction, and c) the maintenance of the right-of-way by property owners. This law declaring highway construction and maintenance of national urgency and the expropriation of land for highway construction of public utility and necessity has been under study since January 1953 (WEEKA No. 5) and provides for highway tolls without specifying rates and reportedly permits the expropriation of the right-of-way without prior compensation.

3. a budget increase of $1,180,000 to finance the October 1953 National Fair, the first such event since 1941. The 1953-4 national budget would thus be raised to $74,579,904.92. The Fair is to be "a reflection of the progressive development of Guatemala as a consequence of the transcendental changes brought about by the Revolution of 1944" and is to "display to the people of Guatemala and of the neighboring countries the development of the economic, cultural, agricultural and industrial life of the country".

Industrialization

The Arbenz Administration's industrialization program (WEEKA No. 28) was broadly outlined this week in press articles reporting on progress since the reconvening of the National Economic Council on July 8 to take up this phase of the economic development program. A commission of Government officials appointed to study the problem has formulated a plan of action involving 1) improved credit facilities, 2) tariff protection and assistance, 3) duty and tax exemption, 4) international trade, and 5) technical assistance, elements also in the program proposed by the General Association of Guatemalan Industrialists (AGIG) in the fall of 1952. The commission said Government finances would not permit the immediate establishment of a National Industrial Bank and that this subject would require further careful study.

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The independent press expressed dissatisfaction with the Government's approach to industrialization and said plans were being prepared exclusively by Government officials without the participation of industry. Prensa Libre pointed to the fact that the agreed upon round-table discussions (WEEKA No. 48-1952) with the AGIG had never materialized, said that the Association was as much or more concerned with the fate of industry as was the President. and that the least that could be don as to ask industrialists to participate, since the success of the plan required the cooperation of private enterprise.

Technical Cooperation

The Ministry of Agriculture confirmed this week that it had budgeted ($100,000 for the Agricultural Research Program for fiscal year 1953-4, the same amount appropriated in recent years except 1952-3, when only $66,000 was provided because of a change in sponsorship of the program.

The Ministry also announced that all of the Government's agricultural research activities would be combined in a new Agricultural Research Center to include the United States-Guatemala research station, Instituto Agropecuario Nacional (IAN), and the research functions of the Directorates General of Agriculture, Forestry and Livestock and of the Production Development Institute (INFOP). The work of the new center is to be coordinated by the IAN, whose functions are to be revised and a new work program adopted. Although aware of the Ministry's desire to centralize research activities, the United States Director of the IAN has not yet been directly consulted about the contemplated reorganization.

Mr. Stanley ANDREWS' recent testimony before the Senate Appropriations Committee on Point 4 in Guatemala was prominently reported in the local press. El Imparcial of July 21 published a July 20 UP despatch which stated that Mr. Andrews had said that the Guatemalan Government was "on the verge of Communism" and was "almost anti-North American"; that the United States was not particularly desirous of developing a Point 4 program in Guatemala but that the Guatemalan rural population, a stable element in the country, was not in agreement with the Government and wanted it to accept United States technical assistance. Thus far there has been no public local reaction to the statement.

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Civil Aviation

The Dutch airline KLM and the Guatemalan Government, according to a press report, are shortly to sign a provisional operating contract and KLM is to begin operations about October. Mr. William De MIER, KLM representative for Mexico and Central America, was quoted as stating that the company would use DC-6-Bs and operate tourist and standard service and Guatemala would be a stop on the Amsterdam-Shannon-Montreal-Monterrey-Curacao route.

R. E. Schoenfeld

Rudolf E. Schoenfeld

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